

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

**AN ANALYSIS OF THE CONSOLIDATION OF MARINE
CORPS PURCHASING AND CONTRACTING SERVICES
THROUGH A GEOGRAPHICAL REGIONAL OFFICE**

by

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June 2001

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20011126 133

REPORT DOCUMENTATION PAGE			<i>Form Approved OMB No. 0704-0188</i>	
<p>Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.</p>				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE June 2001	3. REPORT TYPE AND DATES COVERED Master's Thesis	
4. TITLE AND SUBTITLE: Title (Mix case letters) An Analysis of the Consolidation of Marine Corps Purchasing and Contracting Services Through a Geographical Regional Office			5. FUNDING NUMBERS	
6. AUTHOR(S) Arthur J. Rego				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			10. SPONSORING / MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited			12b. DISTRIBUTION CODE	
13. ABSTRACT (maximum 200 words) <p>In response to DoD personnel downsizing and decreased budgets, the Marine Corps has sought ways to combat these restraints through acquisition reform initiatives such as regionalization. This thesis examines the consolidation and restructuring of five Marine Corps contracting activities located in the Southwest region of the United States. The objective of this study was to develop a regionalized infrastructure in order to reduce costs, improve efficiency, and optimize resources to best support the customer. To accomplish this objective, interviews were conducted of military and civilian contracting personnel in the Southwest region. The interviews obtained information about strengths, weaknesses, and potential obstacles to the implementation of a regionalized contracting office. Based upon the research and interviews with members of the regional contracting community, this thesis developed a framework for a regionalized contracting infrastructure through the use of an organizational systems model. This model assists in creating a unified command structure, standardized policy and procedures, enhances the efficiency and effectiveness of the organization, and eliminates duplicative functions and processes. This thesis is a proactive approach to the consolidation and restructuring of contract billets to achieve cost reduction and streamline the contracting force in the region.</p>				
14. SUBJECT TERMS Contracting, Regionalization, Infrastructure, Consolidation, Marine Corps			15. NUMBER OF PAGES 80	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	

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PURCHASING AND CONTRACTING SERVICES THROUGH A
GEOGRAPHICAL REGIONAL OFFICE**

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Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

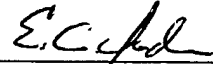
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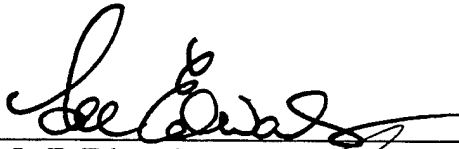
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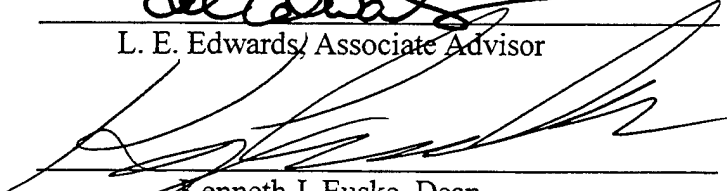
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ABSTRACT

In response to DoD personnel downsizing and decreased budgets, the Marine Corps has sought ways to combat these restraints through acquisition reform initiatives such as regionalization. This thesis examines the consolidation and restructuring of five Marine Corps contracting activities located in the Southwest region of the United States. The objective of this study was to develop a regionalized infrastructure in order to reduce costs, improve efficiency, and optimize resources to best support the customer. To accomplish this objective, interviews were conducted of military and civilian contracting personnel in the Southwest region. The interviews obtained information about the strengths, weaknesses, and possible obstacles to the implementation of a regionalized contracting office. Based upon the research and interviews with members of the regional contracting community, this thesis developed a framework for a regionalized contracting infrastructure through the use of an organizational systems model. This model assists in creating a unified command structure, standardizes policy and procedures, enhances the efficiency and effectiveness of the organization, and eliminates duplicative functions and processes. This thesis is a proactive approach to the consolidation and restructuring of contract billets to achieve cost reduction and streamline the contracting force in the region.

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I. INTRODUCTION

A. PURPOSE

The primary purpose of this research is to review the current policies and organizational structure of five Marine Corps Field Contracting Offices located in the Southwest region of the United States; then to analyze the current design's strengths and weaknesses and develop a model for a regionalized contracting office that may provide opportunities to improve efficiency, increase savings, and optimize resources to best support its customers. Following the analysis of the data from interviews and a literature review, I intend to use an infrastructure model to develop a new regionalized contracting structure for Marine Corps Field Contracting Activities Southwest that will possibly aid the contracting community in more effectively carrying out their assigned missions.

B. BACKGROUND

The mission for Marine Corps contracting activities is to solicit and award their own separate contracts for individual requirements. These requirements are often similar but locally tailored to the needs of the contracting activity. To capitalize on the most efficient organization concept and budgetary constraints, the Marine Corps needs to seek alternative methods of reducing costs and increasing efficiency. One such method is the consolidation of certain contracting functions for all activities in a specific geographic area.

Regionalization is the restructuring of functions/positions either geographically or organizationally to streamline and achieve savings through the elimination of duplicative positions. The Marine Corps has included in its Contracts Campaign Plan 2001 a goal for supporting local efforts to explore regionalization in order to optimize resources, reduce

costs through redundant functions, and best support its customers. The Campaign plan tasks Marine Corps contracting activities to serve as the “champion” for resolving systemic barriers that currently preclude organizational/personnel changes and restructuring efforts.

This thesis will focus on the regionalization efforts of Marine Corps Field Contracting Activities located within the Southwest region of the United States. The objective will be to analyze and develop a regionalized infrastructure model that satisfies the support requirements while reducing overall cost. The net gain will be a streamlined contracting force that can optimize its resources and provide the best support to its customers.

C. RESEARCH QUESTIONS

1. Primary Research Question

How can Marine Corps Field Contracting Activities Southwest be restructured through regionalization in order to reduce costs, improve efficiency, and optimize resources to best support its customers?

2. Secondary Research Questions

- What regionalization concepts have been recommended in creating the Regional Contracting Office Southwest?
- What is the current mission of the Marine Corps Field Contracting Office Southwest?
- What are the significant lessons learned from regionalization efforts that will be applicable to the Marine Corps Field Contracting Activities?
- What organizational design changes can be made in the Regional Contracting Office Southwest to possibly optimize the regionalization initiatives for Marine Corps Field Contracting Activities?

D. SCOPE

The audience for this thesis includes policy makers within the DoD and Marine Corps, and Contracting Officers assigned to Marine Corps Field Contracting Activities. This thesis will analyze the regionalization efforts being conducted at Marine Corps Field Contracting Activities Southwest. It will include (1) a review of regionalization concepts, (2) review of five field contracting activities, (3) review and application of lessons learned to regionalization, and (4) establish a regionalized infrastructure model that possibly optimizes resources and reduces overall cost. The thesis will not provide a cost benefit analysis of regionalization in the five activities, as implementation is not complete.

E. METHODOLOGY

The methodology used in this thesis research will consist of the following steps:

- Conduct a review of Marine Corps orders, directives and other library information resources that deal with the subject of Marine Corps contracting.
- Conduct collection of data from five Marine Corps field contracting activities in the Southwest region. The data will include current organizational structures, manpower, policies and procedures, and lessons learned.
- Conduct interviews with Marine Corps Contracting Officers and civilian personnel to gain a sense of their roles and responsibilities in performing their duties.
- Summarization of efforts: Information obtained above will be analyzed to describe the status of regionalization efforts and resulting organizational structures.
- Identify and analyze trends and key elements that will assist in the implementation of regionalization efforts at Marine Corps Field Contracting Activities Southwest.
- Develop a regionalized infrastructure model that integrates the USMC contracting campaign and aids in optimizing the use of current resources, manpower, and budgetary constraints.

F. ORGANIZATION

Chapter II describes the background for regionalization and describes the framework of each of the five contracting activities.

Chapter III provides the data collected from interviews at the individual contracting offices.

Chapter IV presents an analysis of the data collected in Chapters II and III. The focus of the analysis will be on the regionalization process and the impact it has on the contracting activities. The chapter will identify strengths, weaknesses and obstacles associated with the implementation of a regionalized contracting office. Finally, it will provide a proposed infrastructure model of a regionalized contracting office through the use of an integrated systems model.

Chapter V summarizes conclusions, recommendations, and identification of areas for future research.

G. BENEFITS OF STUDY

There are five Marine Corps Field Contracting System (MCFCS) contracting offices located at MCB, Camp Pendleton, MAGTFTC 29 Palms, MCRD, San Diego, MCAS, Miramar and MCAS Yuma. All are located within less than four hours commute. Consolidation of the large open-market procurement actions accomplished by these offices offers opportunities for significant savings. Each contracting office is currently expected to acquire and maintain the skills to execute open market contract actions over \$100,000. History has shown that only 3% of the contracts awarded by MCFCS activities are over the \$100,000 Simplified Acquisition Threshold (SAT); however, 30% of the current contracting workforce is engaged in managing that workload. The present

contracting workforce is expected to be further reduced with the planned increased threshold limit on credit cards.

Under this regionalization initiative, centralization of all open-market contracts should enable the Marine Corps to capitalize on economies of scale without impacting service on the 97% of those requirements under the SAT at the contracting offices. The development of a regionalized infrastructure model by this thesis will provide Marine Corps Field Contracting Activities the ability to realize cost savings, increase efficiency and transition to a reduced workforce environment. The results of this study could then be proposed to all field contracting activities within the Marine Corps.

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II. BACKGROUND

Traditionally, Marine Corps contracting activities have performed their mission as a "stand-alone" organization solely responsible for the purchase of goods and services concerning their individual commands. In response to DoD personnel downsizing and decreased budgets, the Marine Corps has sought ways to combat these restraints through acquisition reform initiatives such as regionalization. The idea of sharing infrastructures and capabilities within a geographic area as a means of achieving efficiency is but one tool that the Marine Corps has chosen as a potential solution to the challenges faced in this new environment. This chapter describes an overview of regionalization to include the inception of its principles and concepts employed at five Marine Corps contracting activities located in the Southwest region of the United States. Additionally, the researcher provides a summary of mission, function, and structure of each activity in order to present an understanding of how these organizations perform their operations.

A. REGIONALIZATION OVERVIEW

Regardless of the goods and services or the close proximity of other military bases, Marine Corps installations typically solicit and award individual contracts for service requirements. Studies by RAND, discussions with firms at industry forums and field trips to various businesses confirm that regionalized contracts can result in economies of scale and more efficient use of manpower, funds and administration effort.

Today, information technology enables the Marine Corps to efficiently communicate with users, leverage its worldwide workforce and capture, store and retrieve acquisition knowledge. The time is right to partner with customers and suppliers at the major commands, bases and where appropriate, other military tenant organizations

in determining which types and kinds of goods and services are appropriate for regionalized or local multi-base contracts.

1. Pioneers

Commandant of the Marine Corps (CMC) White Letter 2-98 titled Acquisition Reform drives the contracting community to develop innovative solutions in order to accomplish their mission more efficiently. Moreover, it specifies that the contracting community must fully embrace evolving technologies, build a strong and highly capable workforce, and develop processes that are logical and efficient to streamline the current acquisition process. The contracting office at Marine Corps Base (MCB), Camp Pendleton has implemented and pioneered a path to this reform initiative by proposing the consolidation of certain contracting functions of five contracting activities located in the Southwest region of the United States. A Memorandum of Agreement (MOA) was established in order to attain full cooperation and support between the five contracting agencies whereby they agreed to a two-year evaluation period of contract regionalization. The evaluation included quarterly reviews by representatives from each of the primary parties to evaluate the proposed Regional Contracting Office's (RCO) efficiency and effectiveness in providing support and the impact on each of the outlying procurement offices. The evaluation period was scheduled to conclude in May 2001.

Under the MOA, MCB Camp Pendleton acted as the RCO and provided contracting support for open-market procurements greater than \$100,00. The RCO was also responsible for conducting Procurement Management Reviews (PMR) on the contracting offices within the region at least once during the evaluation period. Training and mentoring was provided by the RCO to all outlying offices to aid in regionalization

efforts. A regional server was maintained and operated by the RCO to accomplish technical system administration tasks for the Procurement Desktop Defense (PD2) for the benefit of each contracting activity.

Additionally, rules and responsibilities were provided in the MOA for the four outlying activities as well. These activities awarded contracts for all requirements below the SAT level pursuant to current processes. Each outlying office forwarded all requirements above the SAT (\$25,000 for MCRD, San Diego) to the RCO for procurement action. They were also required to notify customers that their requirement had been forwarded to the RCO and provided them a phone number of the primary point of contact at the RCO. Contract modifications were issued on all existing contracts over \$100,000 in order to transfer them to the RCO. Lastly, the activities were ordered to maintain civilian personnel strength at or below the Table of Organization (T/O) commonly known as manpower requirements.

2. HQMC Guidance

The Marine Corps' Contracts Campaign Plan states:

Our mission is to provide the right tools and guidance to our Marine Corps Field Contracting System so that they can fully support Marines. We will achieve our mission through the efforts of a highly skilled, multi-disciplined, and professional workforce. [Ref. 1:p. 4]

Within this plan includes a strategy to support local efforts to explore geographical regionalization in order to optimize resources and best support Marine Corps customers. It tasks each contracting activity to serve as the champion for resolving systemic barriers that preclude organizational and/or personnel changes and restructuring in the Contracting Community. [Ref. 1:p. 6] Regional review boards examined

organizational and functional realignments to consolidate responsibilities for the provision of goods and services across geographic areas. Realignments were the goal of reducing costs while maintaining or improving the existing levels of performance.

The Contracts Campaign Plan directed fundamental changes in Marine Corps contracting infrastructure. The plan provided goals, strategies, and broad means of implementation. Strong emphasis was placed on eliminating duplication of effort and waste. The potential of regionalization as one of many possible tools to increase efficiency, thereby reducing costs, was a key feature of the plan. Importantly, it also provided a strong caution against reducing the infrastructure at the expense of readiness and quality of life of Marines and civilian employees.

The following sections of this chapter present a summary of the mission, function, and structure of each contracting activity so as to provide insight to the reader's comprehension of the overall infrastructure, workload, and core competencies of the region being analyzed in this study.

B. MARINE CORPS CONTRACTING OFFICE MCB CAMP PENDLETON

1. Mission

The mission of MCB Camp Pendleton is to provide the most efficient contracting support possible for all Marine Corps Bases and Air Stations in the geographical region of Camp Pendleton as needed in the purchase of non-system supplies and services. [Ref. 2] The Southwest Regional Contracting Consortium identified the vision: Be the premier Regional Contracting Office in the Marine Corps by developing our personnel, challenging and refining our processes and leveraging current and future technologies to the fullest extent feasible. [Ref. 2]

2. Functions

The contracting office at MCB Camp Pendleton provides products and services to its base and tenant customers for all non-supply items. During fiscal year (FY) 2000, they procured \$71.8 million in contract actions with 4,504 total awards. The procurement spectrum ranges from micro-purchases within the \$2,500 threshold to large open-market contracts exceeding \$100,000.

Camp Pendleton was also the first contracting activity to implement the Department of Defense's (DOD) paperless contracting initiative by deploying the Procurement Desktop-Defense (PD2) program. PD2 is a comprehensive, commercial software package designed to meet the Government's procurement needs. It is based on systems used in other Federal agencies and the private sector. [Ref. 3]

Currently, 30% of Camp Pendleton's total contracts reflect requirements from the four outlying activities that constitute approximately \$15 million of their total awards. These types of contracts include: household goods, uniform alterations, vehicle rentals, dry cleaning and personnel services. A tentative food service contract will add an additional \$60 million per year to the total contract actions. Additionally, Camp Pendleton is acting as a regional network hub that currently supports six contract commands on one server.

3. Structure

The Director of Contracting reports directly to the Assistant Chief of Staff (AC/S), Logistics, and is responsible for execution of the activity's mission and budget.

The staff is broken down into three sections: Formal contracts, SAP, and Information Technology. Camp Pendleton's organization structure is summarized in Figure 1.1.

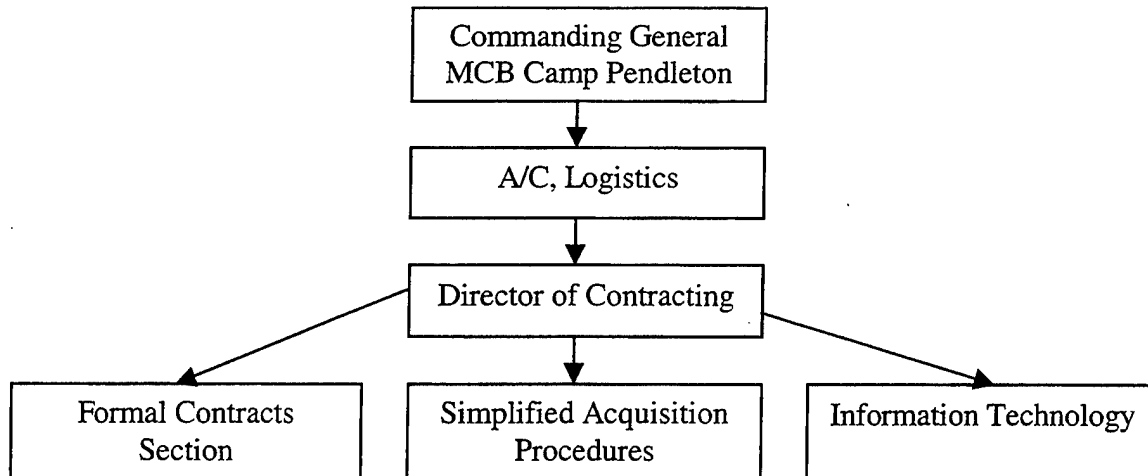


Figure 1-1 Camp Pendleton Organization Structure From [Ref. 2]

The T/O includes one officer, six enlisted, and 23 civilians. [Ref. 4] They are currently at 100% staffing level. Camp Pendleton has proposed a realignment of contingency contracting personnel from Force Service Support Group (FSSG) to MCB to enhance deployed contracting operations.

C. MARINE CORPS CONTRACTING OFFICE MCAS MIRAMAR

1. Mission

The mission of MCAS Miramar is to procure commercial supplies and services using appropriated funding. Support is provided to 3rd Marine Aircraft Wing (MAW), station and tenant activities located aboard MCAS Miramar. [Ref. 5]

2. Functions

The basic functions are similar to those of MCB Camp Pendleton but at a smaller level. During FY 00 they awarded 511 contracts worth \$6 million. However, MCAS

Miramar receives additional funding from the Navy, known as "blue-dollars" in order to support their aircraft maintenance requirements. [Ref. 6] This budget equates to about one-sixth of the total dollars received from the Marine Corps.

The majority of their procurements involve the use of the Government-wide commercial purchase card (GCPC) and contracts within the SAT level. Contracts above the SAT level are referred to Camp Pendleton for action. The command is currently receiving support from the Camp Pendleton office for five contracts: helicopter parts, aircraft wash service, corrosion control and interim food service. Their legal support also falls under the cognizance of the Pendleton base. Mandatory training is conducted on-site with additional classes provided by the Camp Pendleton office. Miramar has also fully implemented the PD2 program and receives connectivity through the Pendleton server.

3. Structure

The Contracting Officer reports directly to the Director of Aviation Supply branch that is part of the G4 Installations and Logistics section. Miramar's organization structure is summarized in Figure 1-2.

The T/O consists of seven civilians, two enlisted Marines and no officers. [Ref. 7] The actual on-hand personnel strength is one civilian contracting officer, one enlisted and five civilian contract specialists. There is no plan on filling the vacant billets.

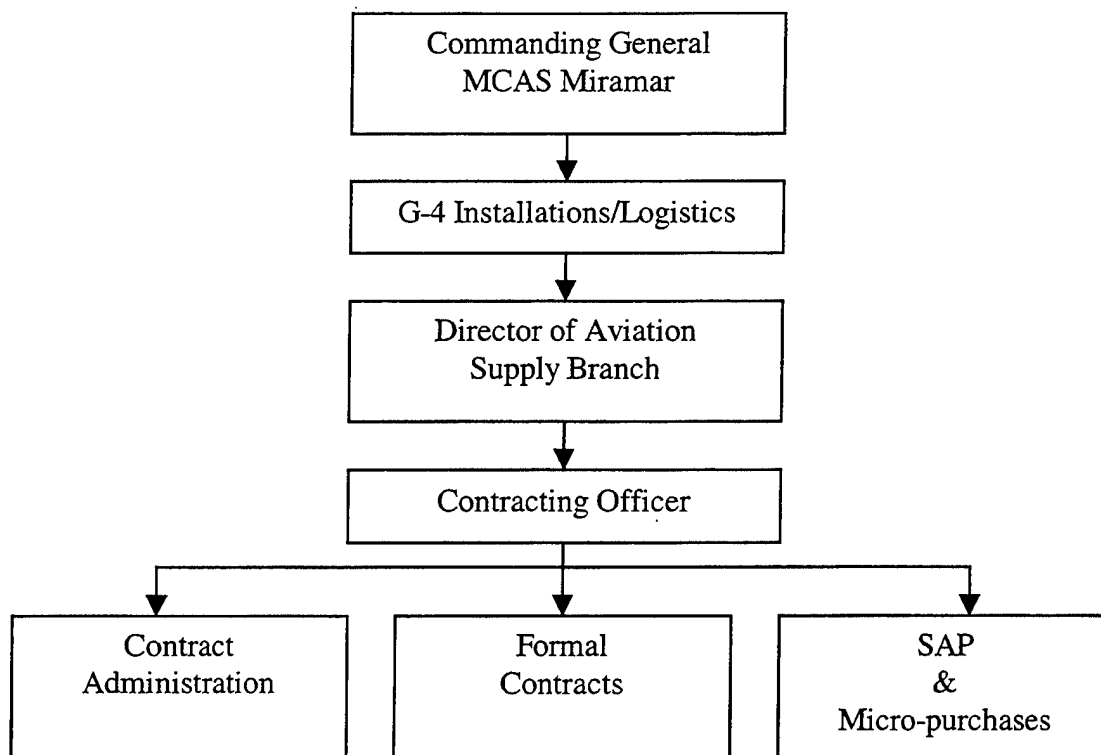


Figure 1-2 Miramar Organization Structure From [Ref. 5]

D. MARINE CORPS CONTRACTING OFFICE MCAS YUMA

1. Mission

The contracting division's mission statement is to provide timely, best value products and services to support Marine Corps Air Station Yuma, AZ. [Ref. 8]

2. Functions

The Yuma office supports station personnel, tenant organizations, multiple Federal agencies and visiting foreign military units. They possess the same contracting authority as Miramar to purchase up to the SAT level. In FY00 the contracting office had 2913 contracting actions worth \$12 million. This is almost double the amount of prior years. Additional local GCPC usage and Station Facilities support purchases contributed to the increase. The office trains, issues, and monitors performance of the GCPC

program that accounts for over half of the commands total procurement dollars. Implementation of the PD2 program is underway and should be operational by the spring of 2001. They have expressed concern for the need to train personnel and customers in the technological process. The Camp Pendleton office will provide the training during the transformation phase.

Yuma is starting to engage in some Facilities type projects such as the procurement of aircraft canopies and infrastructure wiring. Additionally, they have recently conducted a reverse auction for SAT purchases and achieved savings in excess of \$7,000. [Ref. 9]

3. Structure

The Contracting Officer reports directly to the Stations S-4 Logistics office. MCAS Yuma organization structure is shown in Figure 1-3.

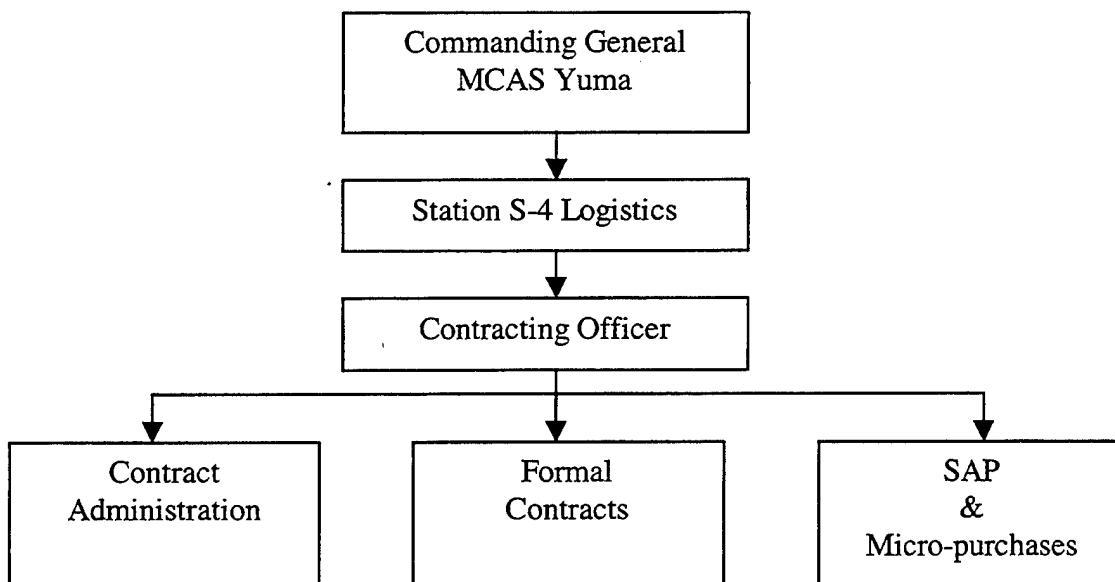


Figure 1-3 MCAS Yuma Organization Structure From [Ref. 8]

The T/O consists of one Marine Officer, two enlisted and nine civilian contract specialists. [Ref. 10] The on-hand strength is ten civilians and two Navy petty officers. The office has requested an enlisted contract specialist due to projected vacancies in the near future. There is no planned allocation for a Marine Contract Officer since a civilian contracting officer is currently filling the billet.

E. MARINE CORPS CONTRACTING OFFICE MAGTFTC 29 PALMS

1. Mission

The mission of MAGTFTC 29 Palms contracting office is to provide acquisition support to the Combat Center for supplies and non-personal services determined to be unavailable within an adequate time frame from the Marine Corps Supply System. This support is extended to all Combat Center organizations, tenant commands and units participating in training operations hosted by the Combat Center. [Ref. 11]

2. Functions

During FY00 the contract actions totaled nearly \$14 million and ranged from the use of the GCPC program to open market contracts exceeding the SAT. Since 1998 the contracting office has also expanded the number of Approving Officials and Cardholders for the GCPC program by close to 25 percent. This resulted in the reduction of 2,000 contract actions performed in 1998 to less than 400 conducted in 2000. The command has also been using the PD2 program since August 1999. They possess an in-house system administrator and do not participate on the Camp Pendleton network server.

Along with the Combat Center's organic units and tenant organizations, visiting units participating in training operations compose a large part of their customer base.

Combined Arms Exercises (CAXs) occur nearly on a continuous basis and require the support of the contracting office for a myriad of products and services. However, they have agreed to pass all contracts exceeding the \$100,000 threshold to the Camp Pendleton office for action. [Ref. 12]

3. Structure

The Chief of Contracting has two chains of command. Operationally, the Chief reports to the Consolidated Logistics Division that is part of Installation & Logistics. Administratively, she reports to "B" Company, Headquarters Battalion. 29 Palms organization structure is summarized in Figure 1-4.

The T/O for this organization is one Marine Officer, 10 enlisted and seven civilian contract specialists. [Ref. 13] Current on-hand strength meets T/O but the office is scheduled to lose five enlisted during FY01. The command has expressed concern that if workload remains at the current level there will be a critical need for at least two enlisted Marines to overcome the vacant billets.

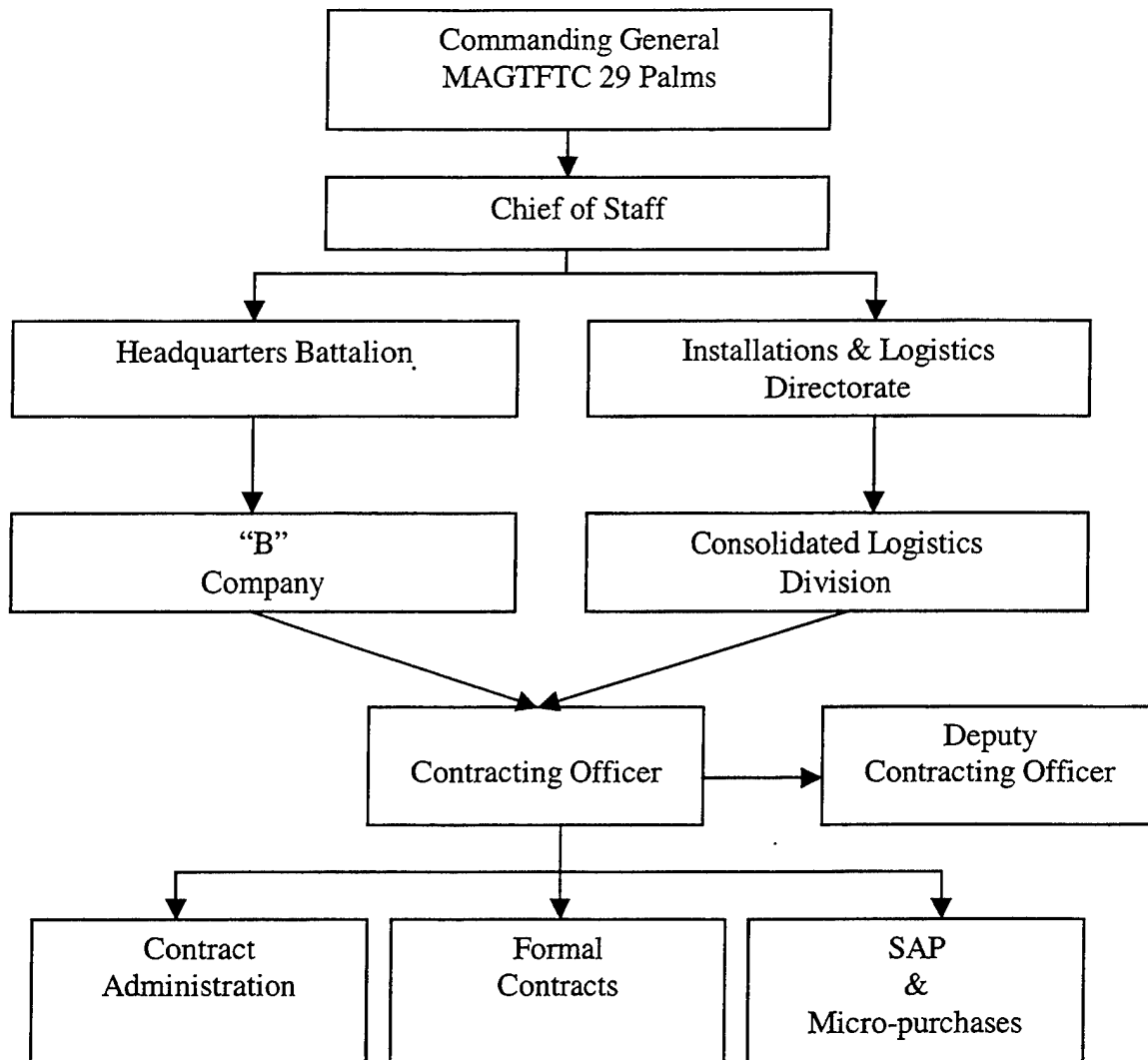


Figure 1-4 MAGTF 29 Palms Organization Structure From [Ref. 11]

F. MARINE CORPS CONTRACTING OFFICE MCRD SAN DIEGO

1. Mission

The mission for MCRD San Diego is to provide and administer purchasing in the open market involving appropriated funds up to \$25,000. [Ref 14]

2. Functions

MCRD engages in all procurements and service-related contracts at \$25,000 or less. All requirements exceeding this amount are referred to the Camp Pendleton office

for administration. Since their procurement threshold is limited, they spend the majority of their time auditing Blanket Purchase Agreements (BPAs) and GCPC cardholder accounts. The majority of their actions occur within the micro-purchase level for such items as administrative supplies, uniform alterations, dry cleaning and non-personal services. [Ref. 15] During FY 2000, total purchase card buys were \$2,090,000. Within that same year they awarded a 162 contracts totaling \$1,370,791.

3. Structure

The contracting officer reports directly to the Director of Service and Supply Division. The Director's reporting senior is the AC/S G-4 for the Depot. MCRD San Diego organization structure is summarized in Figure 1-5.

The T/O for MCRD is one officer, two enlisted and three civilian contract specialists. [Ref. 16] The on-hand strength currently exceeds the T/O requirement by one additional enlisted and civilian. The Marine contracting officer is not resident to the organization rather he is assigned to the Camp Pendleton contracting activity. This action was initiated two years ago to augment Pendleton operations.

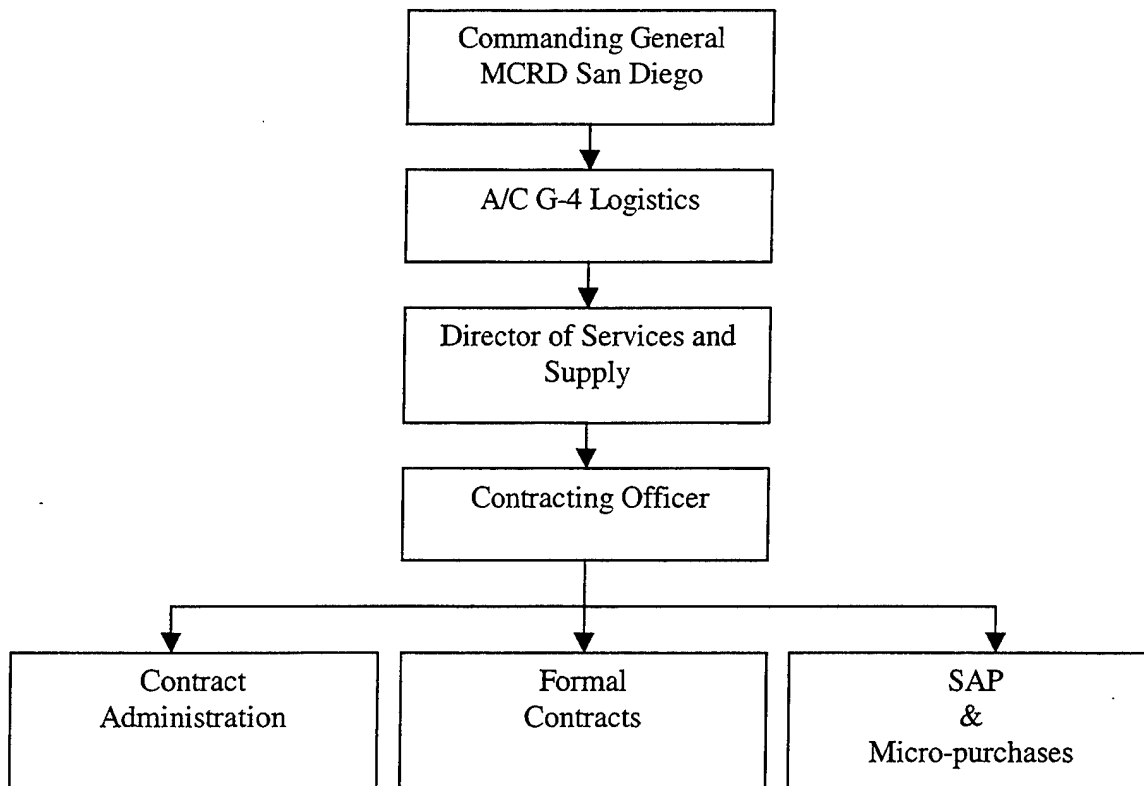


Figure 1-5 MCRD Organization Structure From [Ref 14]

G. CHAPTER SUMMARY

This chapter provided an examination of guidance and principles of regionalization concepts currently being deployed within the Marine Corps today. It discussed the top management's views and plans concerning downsizing, reduced budget constraints, and potential solutions to avoid this pitfall. Specifically, it focused on the efforts being conducted at MCB Camp Pendleton and the four outlying activities located in the Southwest region. It further provided a review of the mission, function and structure of each of the offices and described their workload requirements. Finally, this chapter briefly presented the overall operational tempo in terms of dollars and contract actions and provided background information of each activity in its current environment.

III. SOUTHWEST REGION DATA COLLECTION

A. INTRODUCTION

This chapter contains a summary of personal interviews conducted during the researcher's visit to the region in March 2001. The respondents consisted of three Marine officers, four enlisted Marines and five USMC civilian personnel. The purpose of these interviews was to obtain feedback on the regionalization efforts and its effects at each command. The comments, opinions, and experiences of the respondents will be included in this chapter. This will provide the foundation for the development of an infrastructure model in Chapter IV by analyzing the strengths, weaknesses, and potential obstacles of implementation to a regionalized contracting office.

B. INTERVIEWS

Question 1: What do you see to be the mission of your Contracting Activity?

Ten out of twelve contracting personnel stated that customer satisfaction was the primary mission of their activity. They believed that the level of their success was measured by the timeliness of responding to a customer's request. The remaining two respondents said that micro-purchases and the procurement of non-system items were their highest priorities. Although each contracting activity has a formal mission statement, none of the interviewees mentioned it in their answers. When asked as to why they did not include the mission in their answer, three responded that they were not familiar with the mission statement, nor did they believe it had any true bearing on mission success. Instead, dealing with budget constraints, operational tempo, and

customer requirements became the driving force in defining mission goals; i.e., functionality and process.

Question 2: Are there any functions that are unique to your mission?

Only two of the respondents stated that there are some functions that are unique to their mission. Marine Corps Air Stations receive two types of funding. This is informally known as different "colors" of money. The Marine Corps provides "green" dollars for ground support and the Navy disburses "blue" dollars for aircraft operations and maintenance. Essentially, these activities must develop, maintain, and execute separate budgets in conducting their mission. This includes dealing directly with Navy comptrollers on fiscal matters concerning all fixed and rotary wing assets as well as interacting with Marine Corps comptrollers for normal procurement of goods and services

There is no formal training for contract specialists in dealing with Navy disbursing procedures. All contracting personnel at Marine Corps Air Stations receive on-the-job training (OJT) upon reporting to the unit. Incoming personnel having no prior background in the air wing depend on the knowledge and experience of seasoned contracting specialists for learning Navy fiscal procedures.

Question 3: Does your Contracting Activity possess the necessary resources to accomplish your mission?

The purpose of this question was to identify that each of the activities possessed the types of resources such as personnel, budget, legal support, and contract administration necessary to properly carry out their mission requirements. Personnel issues were predominantly the biggest response to this question. The Manpower Department at HQMC dictates the number and type of positions required at each of the contracting activities. Although some activities reported certain job positions to be vacant, all of the respondents stated that they had sufficient personnel to get the job done. In fact, two of the interviewees said that some of their people are under utilized and over qualified for the current workload. This imbalance has resulted in workers performing tasks normally conducted by subordinate personnel. For example, one activity currently has a GS-9 filling a GS-6 billet and yet another has a senior military contract specialist performing tasks equivalent to an E-5 entry-level position. There is an overwhelming consensus at these activities that the Manpower Department should conduct a review of the staffing requirements and make changes to create a proper balance between contracting personnel and their billet assignments.

When asked about their budget allocation, none of the activities believed their funding levels had played a significant role in prohibiting them from executing mission requirements. In fact, annual budgets have actually decreased while requirements have either remained the same or in some cases increased. The four outlying offices have stated that they were able to offset some of this imbalance by achieving economies of scale through bundling of contracts at the Pendleton office. In other words, these

activities were able to achieve savings on goods and services by using contracts already in place at the RCO in Camp Pendleton. For example, Camp Pendleton awarded a Blanket Purchase Agreement (BPA) to Enterprise Car Rental for vehicles, allowing all outlying procurement offices to use this agreement in meeting their requirements. This dramatically reduced lead times for award and delivery and provided faster support response time to the customer.

With the exception of minor reviews and advising from their local commands, the contracting offices interviewed in this study receive the majority of its legal support from the Western Area Counsel Office (WACO) located aboard Camp Pendleton. This means that the outlying offices, particularly MCAS-Yuma and MAGTF-29 Palms, must travel long distances to receive comprehensive legal counsel. Although general questions and advice have been dealt with by phone or e-mail, overall contract administration issues require face-to-face interaction. Many of the respondents stated that the requirement to travel for legal support has increased the overall acquisition cycle time and decreased customer response time.

Other resources mentioned in this interview consisted of contract close-out procedures, civilian personnel offices and contract administration. All of the interviewees reported that these assets and procedures were either located in-house or supported by their local command and provided adequate support to their mission requirements.

Question 4: What do you think are the advantages of a regionalized office?

The respondents provided a myriad of answers to this question that provided a common theme that regionalization provided the ability to reduce costs and improve service through consolidation of resources. The majority believes that this process greatly enhances the development of standardized processes and interoperable systems, thereby improving the ability of Marine Corps contracting offices to communicate and work together. Several people stated that realigning and eliminating redundant services would also improve the information flow. One contracting officer said that regionalization would provide consistent service levels throughout the region in that every Marine will get the same level of service regardless of where they may be stationed. A civilian contracting specialist stated that this process would encourage a single, consolidated Marine Corps "voice" to the customers, industry, local community and other government agencies.

One of the outlying procurement offices said that the volume of their requirements were such that the staff is currently under-employed and lack any diversity in their job functions. The number of contract actions at this office has steadily decreased to a point that they are immediately concerned that their staff will not get the appropriate contracting experience, training and technical knowledge in their current job position. They believe that the restructuring and diversification of a regionalized contracting office is a viable solution to their dilemma.

Another advantage described by the respondents is that a regionalized office would provide a pool of expertise creating a synergistic environment that would be more

efficient when compared to separate activities performing individual requirements. The idea of "knowledge sharing" in a consolidated forum appeared to be a common denominator expressed by each activity.

Question 5: What do you think are the disadvantages of a regionalized contracting office?

Sixty percent of responses to this question did not necessarily reflect the disadvantages of the processes involved with regionalization, but rather the degree of receptiveness to the concept itself. For example, three of the five activities stated that their commands were concerned that they would lose control of personnel and funding requirements due the regionalization process. The individual commands have expressed that consolidating the contracting office would reduce their flexibility, influence and latitude to meet customer requirements. Additionally, they argued that having a regionalized contracting office located off-site could result in their priorities taking a "backseat" to other requirements in that region. Although most have agreed that they would realize some cost savings, the fact that they lose the ability to have direct control over the activity itself proves to be a big concern. Similarly, some commands requested to see historical data on the savings recorded from regionalization. Since this process has yet to be implemented, no "hard" data were available to satisfy their request. Instead, the Regional Contracting Office (RCO) provided projected benefits based on other Services and agencies that have adopted this process.

Yet another concern was ability to effectively communicate between the activities. As mentioned in Chapter II, Camp Pendleton operates on its own server and has the ability to offer on-line service to the outlying activities. With the implementation

of PD2, each office would be able to log on to the common server and initiate their requirements electronically. The fear expressed about this issue is that if the server goes down the activity would lose the ability to communicate requirements. Additionally, some of the commands believe that they would no longer receive Information Technology (IT) support from their local commands if they were using the Camp Pendleton server.

Lastly, there is some concern that the consolidation or "bundling" of certain requirements may cause an adverse impact on small businesses. Since the bundling of requirements will reduce the amount of prime vendors required, the Small Business Administration (SBA) is concerned that these types of contracts may reduce award opportunities for small and disadvantaged businesses.

Question 6: What guidance have you received on regionalization initiatives?

The majority of guidance received by each activity came from the RCO Camp Pendleton. Although the Marine Corps published general guidance concerning regionalization initiatives in its Contracting Campaign Plan, three of the four outlying offices were unaware that such a plan existed. Instead, they primarily depended on meetings and e-mails from the RCO as their primary source of information. On the other hand, the RCO has been in close contact with the Contracts Division HQMC requesting additional guidance and expressing their desire to implement regionalization. The Camp Pendleton office has received oral support from the Director of Contracts Division HQMC to explore the benefits of initiating a regionalized contract office. In turn, the RCO has created a Process Action Team (PAT) involving representation from each

contracting activity to create guidance pursuant to the development of a consolidated contracting office in the region.

Question 7: What you think are three major obstacles to implementing a regionalized contract office?

Although there were slight variations in response to this question, the overall answers centered to the following three areas: 1) Command support; 2) transfer of personnel; and 3) lack of specific guidance from higher headquarters. The respondents stated that lack of command support was the number one obstacle for implementing a regionalized contracting office. As mentioned in previous responses, there was a genuine concern by Commanders that regionalization would significantly inhibit the amount of control that each command had over people and resources. Additionally, some of the interviewees said that their commands did not feel comfortable with the idea of having to interact with an "external" contract office in order to fulfill their individual requirements. The fact that a request would now have to be routed through a centralized office vice an in-house capability created some apprehension by commands towards the acceptance of a regionalized office. Many of the respondents believed that adding a "third-party" to the equation did not produce any additional benefits. Moreover, they felt that losing control of people and resources created the possibility for increased acquisition cycle time and decreased customer support.

The next major obstacle relayed by the respondents was the transfer or up rooting of civilian personnel to a centralized area. The civilian workers interviewed for this question stated that they did not look favorably on moving to another location. Those personnel within commuting distance of the Pendleton office offered that the additional

travel time would prove an unwanted inconvenience as well. Overall, the general disruption to their current way of life due to the creation of a regionalized contract office warranted disapproval to this process.

Lastly, with the exception of the general guidance provided in the Contracts Campaign Plan, there is no mandate from higher headquarters to establish a regionalized contracting office. Several of the respondents said that there is a need for specific guidance from the top management in order to effectively transition to a consolidated contract office. Many stated that top-down support would alleviate much of the frustrations and problems that they are currently encountering. A Marine contracting officer stated, "Whenever there is an order or mandate to support a particular process or objective, we tend to get things done much quicker." [Ref 17] This proved to be the general consensus among the others interviewed as well.

Question 8: What were the lessons learned from the test conducted to evaluate the benefits gained under consolidation of purchasing and contracting services through a regional office?

Although the evaluation period was not fully completed by the time the interviews were conducted, several lessons learned had surfaced pertaining to the process. Effective and continuous communication between the RCO and outlying offices played a significant role during the evaluation period. Quarterly reviews by representatives from each activity were conducted to evaluate the efficiency and effectiveness of support provided to both the outlying offices and their customers. The respondents indicated that these meetings provided the necessary forum to effect issues and modifications of current procedures and impacts to their respective activities. In addition to these reviews, e-mails

and telephone calls from the RCO were promulgated to answer questions and clarify responsibilities of each of the stakeholders.

Continuous training and process improvement amongst the activities also produced dividends during this period as well. The RCO conducted weekly technical training to contract specialists in the outlying offices. For those activities that could not attend in person, video teleconferencing was offered to include them in the training.

The RCO was responsible in maintaining and operating a regional server to provide PD2 access to all of the outlying activities. Two of the activities stated that they experienced difficulties at times accessing the server from their outlying location. They expressed that communication experts should be included in the quarterly reviews to address and eliminate current and future network issues. The RCO has incorporated an information technology section in its office that offers technical advise and support to each of the procurement activities.

C. CHAPTER SUMMARY

The preceding discussion is not intended to be a comprehensive evaluation of the regionalization process. Rather the issues articulated here are being raised to illustrate the challenges that the commands, contracting activities, and their customers are attempting to resolve as part of the implementation process. It would be unrealistic to expect such a dramatic change to occur without some type of resistance or unwillingness produced by the restructuring of personnel and reallocation of resources. The issues uncovered in this chapter do not necessarily reflect a problem with the regionalization process but are instead, a matter of personal, political and cultural beliefs.

Data were collected from the personnel from each contracting activity through interviews. A general consensus of key issues was developed concerning the concept and implementation of regionalization. These issues are summarized below:

- Customer satisfaction is paramount (timely processing and delivery of goods and services);
- Prioritization of requirements must be fair and equitable to all participants (activities want oversight controls established);
- Civilian personnel are hesitant to relocate (contracting personnel have strong ties to their communities);
- Training and process improvement must be continuous (key personnel want to be kept current, plus expand their knowledge);
- Communication between the RCO and outlying activities must be clear, continuous and effective (computer network upgrades, standardization of processes, and established policy dictating roles and responsibilities in the region);
- An official mandate to implement regionalization does not exist (local agreement developed by participants, no formal directives from HQMC); and
- Command support is required for successful transition (Commands are uncertain and ambiguous towards direction of regionalization).

The concerns, challenges, and expectations of each contracting activity studied provide the background against which a regionalized infrastructure is developed in the next chapter.

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IV. ANALYSIS OF RCO SOUTHWEST

This chapter analyzes the data collected and material presented in Chapters II and III. It covers strengths, weaknesses, obstacles to implementation and a proposed infrastructure model using a systems framework.

A. INTRODUCTION

As the evaluation period for the regionalization process at RCO Southwest comes to a close, one thing seems to remain certain; that is, all of the contracting activities are accomplishing the mission of providing goods and services to their customers. Through identifying and analyzing the strengths, weaknesses, and obstacles to implementation, it appears that an infrastructure model could be developed through the use of an Organizational Systems Framework. As will be discussed later in the chapter, the Systems approach allows leaders to understand how changes in one area affect other parts of the organization, and how strategy, structure, environment, processes and subsystems (i.e., selection, training, rewards, information systems, and communications) affect culture, outputs, and outcomes. The Systems model can be used as a tool to assist managers to improve overall organizational performance.

B. STRENGTHS

One of the most obvious strengths a regionalized contracting office would provide is a pool of knowledgeable and experienced contract specialists. With the current economy, downsizing, budget constraints and aging civilian workforce, the need to maintain a depth of expertise becomes a primary concern. As mentioned in Chapter II, constant turnover rates of personnel coupled with unfilled billet vacancies throughout each of the activities has created difficulties in sustaining a knowledge base capable of

providing the most efficient way of conducting business. The common practice for each activity in this region is to provide its own training, educational opportunities, local policies and procedures. The lack of lateral communication and interaction between the contracting offices has dampened the ability to adopt a shared set of best practices and insight into lessons learned within the contracting community. Consolidating and restructuring the current infrastructure would alleviate the majority of this void and provide the proposed organization with a well-rounded wealth of expertise capable of delivering goods and services at an optimal level. That is not to say the customer would be the sole recipient of this action. For example, Marine contract specialists, who worked in a regionalized office, would be better prepared for future assignments throughout their career. Over time, this would create a stronger and smarter contracting community in the Marine Corps.

Another strength lies in the use of indefinite delivery/quantity (ID/IQ) type contracts. A variety of these types of contracts are already in place at the Pendleton office and only require quantity, place of delivery, and appropriation data in order to acquire a good or service. This type of vehicle eliminates time and cost involved in a multitude of functions: market research, pre-award surveys and contract administration involved with procuring a requirement. An outlying activity could access the RCO contract database, scan for their requirement and input required data to obtain a good or service. Similarly, Blanket Purchase Agreements (BPAs) provide the ability for an activity to purchase their needs through a pre-arranged service agreement. Not only does this significantly reduce the acquisition cycle time, it also provides an economy of scale, whereas prices are discounted proportionate to the volume delivered.

The contracting activities involved in this study performed similar functions at each of their commands. That is to say, the basic mission at each office was to provide goods and services to their customers in a timely manner. Although each activity tailored their procedures according to individual requirements, the basic contract functions remained the same. A centralized contracting office would eliminate the redundancy of these efforts currently witnessed in the region. The concept of regionalization takes into account these repetitive functions and establishes a centralized functional area that addresses the concern to all the activities involved. In other words, instead of having five separate offices conduct the same or similar function, one section of the regionalized office would provide support in that area for the entire region. This allows those activities with personnel shortages to concentrate their efforts in other critical areas. Additionally, manpower requirements would be decreased resulting in cost savings from maintaining current staffing levels.

It appeared obvious through the interview process that some of the contract activities believed their personnel were being underutilized. Their biggest concern was that the workload did not provide the diversity and substance required to keep their people gainfully employed. The centralization of contract billets in the area would be a viable solution in that functional areas would be developed charging specific duties and responsibilities to each contract specialist. Although it is true that the current structure at each activity adheres to similar procedures at a micro-level, the generation of requirements through a regionalized office would provide an increased, sustained, and diversified workload in which the contracting personnel would maximize their potential.

Additionally, the application of cross-functional teams trained in different contracting areas would provide the ability to fill vacancies or gaps in other functional areas as needed.

As mentioned earlier, all of the contracting offices tailor their processes and procedures according to their local requirements for goods and services. The analysis has unveiled that the overwhelming majority of these requirements are common to all activities in the region. With that said, the standardization of processes and procedures coupled with the adaptation of best practices would not only reduce the time and cost of acquiring a customer's needs but also improve the flow of information and communication amongst the activities. The "standardization" process would eliminate inefficient and obsolete procedures and replace them with efficacious and cutting-edge practices. Similarly, communication would flow much smoother within the region since all activities would be familiar with and conduct the same business and organizational policies.

Lastly, a strength that often goes unmentioned is the minimal impact this process would have on its customers. The implementation of regionalization would be almost completely transparent to the local customer. Although a large centralized office is the premise for regionalization, the need for certain contract personnel at each activity is still required. The small detachment of contract specialists would provide continuous customer support while maintaining the requirements flow to the RCO. The result would be a customer base that received a high level of service at their perspective commands. The breakout and description of this structure will be introduced later in the chapter.

C. POSSIBLE WEAKNESSESS

Although the researcher found no "show-stoppers" to prevent the implementation of this initiative, there were some concerns worthy of discussion. Although the consolidation or "bundling" of certain contracts can reduce contract administration and achieve cost savings, the SBA has voiced a negative opinion towards these actions. The SBA has stated that the bundling of requirements would reduce the amount of prime vendors required, thus limiting the amount of small businesses from participating in these types of contracts. Furthermore, since bundling usually entails high volume, many small and disadvantaged businesses would be unable to successfully compete with corporate America. From the surface, this appears to be a legitimate concern. As such, the U.S. Government is not a pure business entity. Although there is a valid desire to adopt commercial business practices, the Government must also adhere to its socioeconomic policies. It is the contracting officer's responsibility to maintain the delicate balance between the customer's needs, prudent financial management, and enforcement of DoD policies and procedures. The researcher believes this weakness could be addressed in a few ways. First, multiple-awards to a bundling contract would increase the opportunity for award to a small business concern. Yet another way would be to bundle only those contracts that do not impact the smaller businesses. That is to say, target requirements that are beyond the scope of their ability so as to avoid potential protests from the SBA. As with many Government policy issues, there is usually some "common ground" that can be shared by all parties.

The idea of sharing infrastructures and capabilities within a geographic area as a means of achieving efficiency is not new. In fact, corporate America has been enjoying huge savings by reengineering and reorganizing their own structures for years. The Marine Corps wished to duplicate some of these successes. As mentioned in Chapter II, the Contracts Campaign Plan had provided general guidance geared to embracing regionalization as a cost savings opportunity. The weakness lies in the fact that there is no official mandate or Marine Corps Order (MCO) requiring the contract community or major commands to address this issue. It was basically referred to individual commands for action under their own discretion. Since there was no mandatory directive, the idea of regionalization never took root in the hearts and minds of the contract community. In the course of this study, it was determined that a MOA had to be established to create provisions, responsibilities and a mutual understanding between five commands as to how a regionalized contract office would be developed. Had HQMC instituted policy for this concept, major commands and the contract community would have readily rendered their support to the cause and perhaps regionalization would be the rule rather than the exception. If the Marine Corps decides to seriously consider this concept as a cost savings opportunity, then definitive guidance needs to be published and policy developed to effectively implement contract regionalization.

The RCO at Camp Pendleton has an Information Technology section resident to their organization that develops, maintains, and monitors network communication and software application to the region. Several of the activities have experienced difficulties with connectivity issues such as limited bandwidth that sometimes slows or precludes access to the centralized server. The impact delays data input time when using PD2

which leads to an overall increase in acquisition cycle time. A question surfaced as to whose responsibility it was under regionalization to solve the issue. The local systems administrator at Camp Pendleton has been contacted by the RCO to remedy the situation by possibly expanding the current bandwidth. The problem should be considered short-term and not significantly enough to affect future operations.

Finally, when the contracting activities developed the Memorandum of Agreement concerning the test for the two- year evaluation period, the provisions did not include the consolidation of contracts within the \$100,000 SAP threshold. Instead, each activity continued to award these contracts pursuant to their current processes. The MOA cited that this provision was needed to preclude any possible "impacts" on service to these requirements. The researcher believes that in order to achieve the full benefits of a regionalized office, all contract requirements should flow through the RCO. Ninety-seven percent of requirements generated in this region fall under this category. Economies of scale through BPAs, increased volume levels and bundling could of added to cost saving opportunities during this period.

D. OBSTACLES TO IMPLEMENTATION

As mentioned earlier, lack of definitive guidance from HQMC has resulted in some command support issues. There is legitimate concern from the commands and contracting activities that regionalization may jeopardize the level of support provided to their customers. This is a natural reaction whenever an evolutionary change such as this occurs. The loss of people, resources and direct control tend to create inhibition to the acceptance of any new idea or process. Another reason for the lack complete support to this initiative is the fact that regionalization in the Marine Corps is an unproven concept.

Without historical data or experience to gain insight to this process, many of the activities and commands are hesitant to change. This is not to say that support for the idea is totally lacking but it has presented concern to the point where differences between the activities have impaired the process. For example, one activity addressed the need for flexibility on dollar threshold when deciding to flow requirements to the RCO. Under the MOA, all contracts exceeding \$100,000 (\$25,000 for MCRD) would be sent to Camp Pendleton for action. Some activities preferred the option to send requirements when they feel it is appropriate so as not to be tied to a fixed ceiling. This circumvents the mutual agreement made by each activity in the MOA and presents itself as an obstacle to full implementation of the process. The challenge is for the RCO to mediate these differences, while enforcing compliance with the signed agreement. Effective communication and training towards the defined set of goals are some tools that would mitigate the situation.

The civilian contracting personnel have voiced an opinion concerning the relocation aspects involved with a regionalized office. Many have stated that the uprooting and movement to a new area was not looked upon favorably. Unlike the military personnel who move every three years or so, the civilians are not accustomed to this way of life. In fact, several personnel have been in the same community for ten or fifteen years and have family and friends in the area that they are not willing to separate from. The issue of relocation should only affect two of the four outlying activities: Yuma and 29 Palms. The other two offices could maintain their residences and make the thirty-minute commute to Camp Pendleton. As for those activities unable to commute, the problem remains unresolved.

Lastly, the concern for job security uncovered another obstacle to implementation. Because of the nature of a consolidated contracting office, some positions would now become obsolete. This is because the elimination of certain job functions that would now be performed by the regionalized office. This is easier said than done. Unless there is an official mandate that a reduction in force (RIF) will occur, elimination of positions will prove quite difficult. The inability to reduce force structure hinders the efficiency and effectiveness of a regionalized office. If the streamlining of procedures and elimination of duplicate efforts is to achieve real cost savings, then it makes sense that a reduction in personnel is a required action. The issue of workforce reduction poses a significant challenge to the region's attempt to consolidate and should be addressed with the Manpower section at HQMC for additional guidance. In order to maximize the potential savings and efficiency of a regionalized contract office, the restructuring and elimination of some billets might be necessary.

E. RCO SOUTHWEST SYSTEMS FRAMEWORK

In order to understand the rationale behind the model of a regionalized contract office structure that will be introduced later in this chapter, the researcher believes it is important to discuss how the organizational systems framework applies to the RCO Southwest.

A systems approach looks at a set of organizational attributes (e.g. environment, mission, task, structure, technology) rather than individual attributes. [Ref. 18] The development and analysis of the RCO Southwest infrastructure relies heavily on the Systems model shown in Figure 4-1. The Systems model begins with the contextual

factors impacting organization, then considers the various design variables influencing output and outcomes.

Organizational Systems Framework

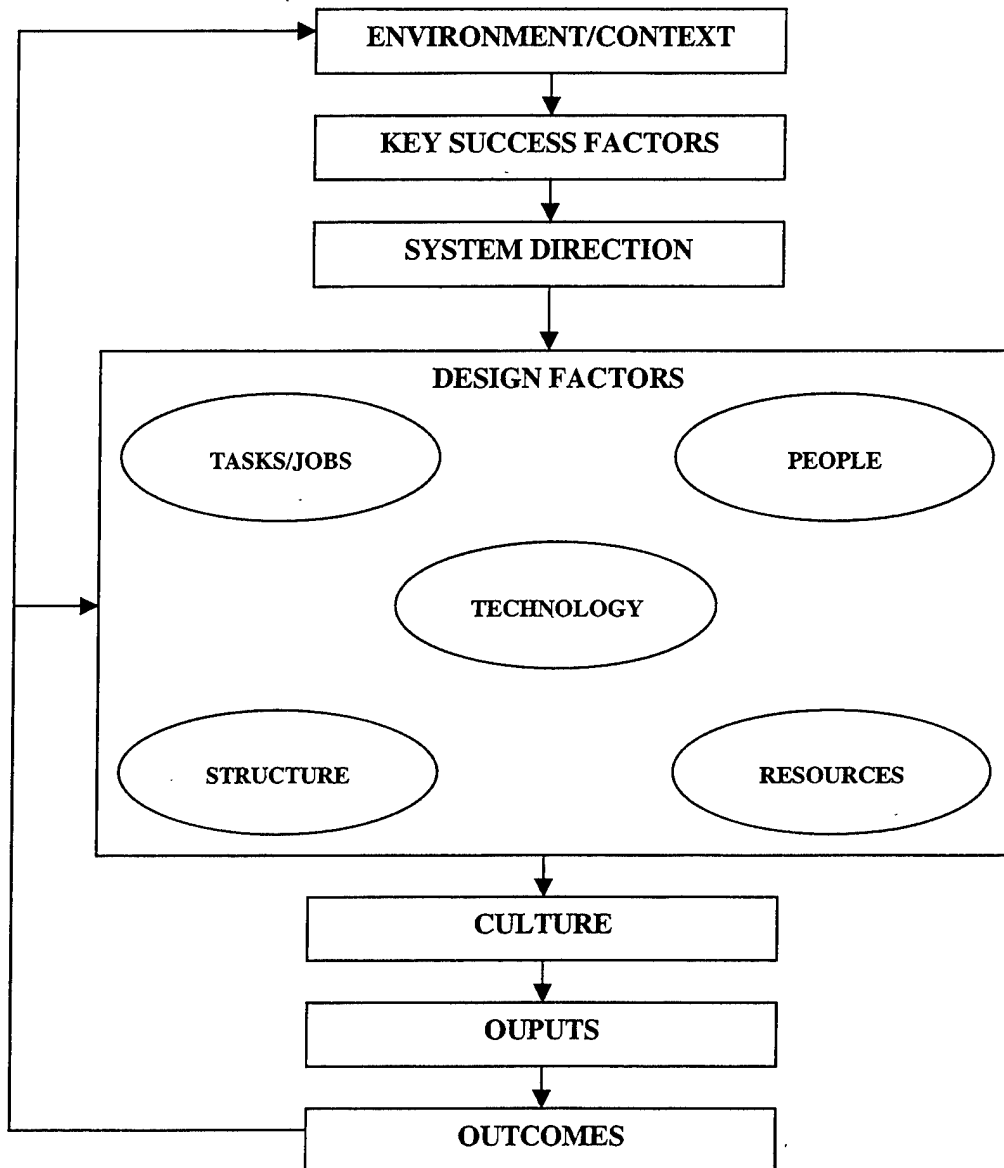


Figure 4-1 Organizational Systems Framework Adapted From [Ref 19]

1. Context

The model begins by examining the organization's context. According to Nadler and Tushman, [Ref. 20, p.22] the context comprises the elements that make up the "givens" facing an organization. These "givens" include:

- Environment: Factors outside the organization such as individuals, groups, or other organizations that affect how the organization performs. The environment also includes the political, economic, social, and technological influences. When analyzing an organization, one must consider factors in the environment and how they create demands, constraints, or opportunities.
- Resources: The assets an organization has at its disposal such as employees, technology, capital, and information.
- History: How the organization is influenced by its past is another element of context. It is important to understand the major stages in an organization's development, as well as the current impacts of past events.

The proposed creation of RCO Southwest, as with all contract organizations in the Marine Corps, would be influenced by its external environment, resources and history. The political environment is particularly relevant to the context of RCO Southwest, including mandates, policy and procedures. The absence of an official mandate or policy to implement regionalization creates uncertainty and lack of clarity relating to the overall importance and value of this initiative.

The external economic environment would also affect RCO Southwest. The economic boon of the 1990s, and the corresponding employment opportunities have impacted the retention of both civilian and military personnel. The lure of high paying jobs in the corporate world has created a manpower shortage resulting in the military to do more with less.

The social environment would also impact the proposed organization as well. With the so-called "victory" of the Cold War, society's perception of the importance of a strong military presence has dwindled. This coupled with the Government's reputation as an inefficient and bureaucratic machine has created an apathetic view towards the mission and role of the military.

The proposed creation RCO Southwest would operate in a resource-constrained environment. The budget and available personnel most likely would be limited, which paradoxically contradicts the persistently high operating and personnel tempos. During the Cold War, resources appeared to be plentiful, and the Marine Corps could survive inefficiencies in the system by applying more people and money to fix a problem. Inefficiencies in the system are more obvious, now that a substantial portion of the personnel and budget have been reduced.

Organizational history would also contribute to the overall context. The routine, repetitive turnover among military personnel seriously diffuses corporate memory. As several contracting personnel noted, the same issues keep reoccurring and personnel are continually trying to "reinvent the wheel."

Overall, the external elements that comprise the environment would not be unique to RCO Southwest. However, they would be contributing factors to the outputs and outcomes (results) of this particular organizational systems framework. It is important for this organization to identify and understand these elements and how they relate to RCO Southwest.

2. Key Success Factors

What factors are required for an organization to be successful? Management must ask sufficient questions to ascertain the requirements essential for success. Each organization will have different success factors depending on its existing context. Key success factors for public sector organizations are likely to be more numerous and perhaps more ambiguous than for private, for-profit organizations. [Ref. 21, p. 291]

Determining a complete set of key success factors is beyond the scope of this thesis, however two factors are apparent. First, RCO Southwest would be a “reactive” organization, which at the very least must give the appearance of responsiveness to its many stakeholders. Second, they would rely on effective communication and lateral coordination with various stakeholders as a key success factor illustrated in Figure 4-1.

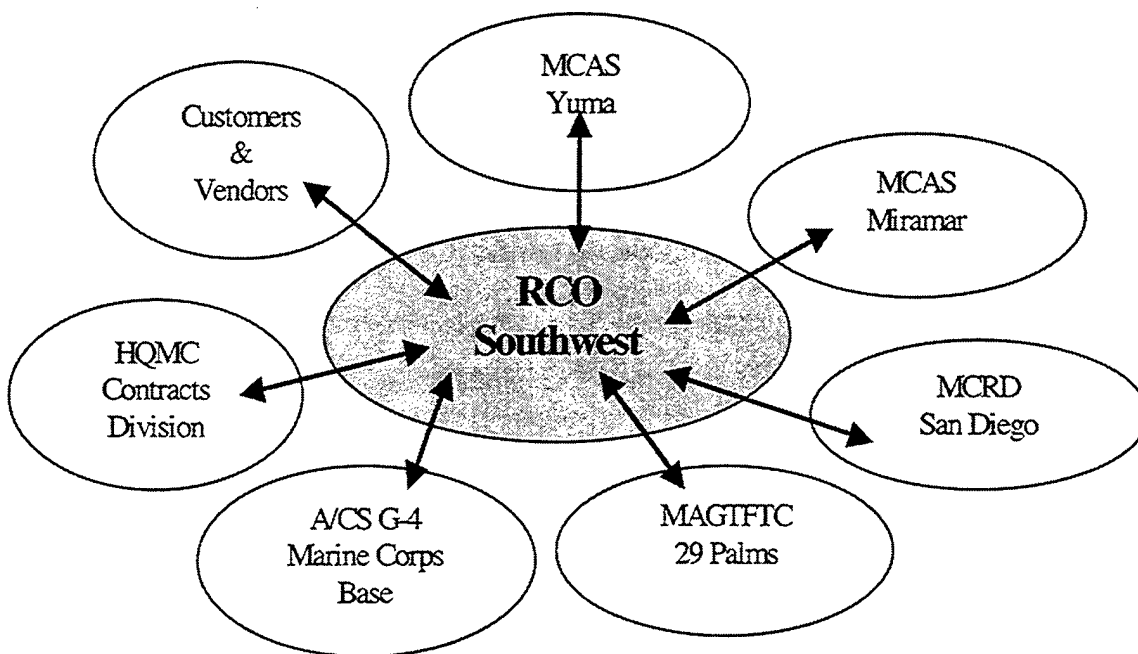


Figure 4-2 RCO Southwest Lateral Communication [Source: Developed by Researcher]

3. System Direction

The next step is for the organization to determine the direction/strategy for the system. Management should determine this based on the context and success factors. The type of direction will vary depending on the type of organization. For example, some may issue top-down directives and specific goals, while others will issue vision statements or guiding principles.

As mentioned previously, lack of an official mandate from HQMC to support the regionalization effort has masked a clear path to the implementation process. Although the RCO has published a vision statement, and the Marine Corps Contracts Campaign Plan provides the foundation to “support local regionalization efforts”, there are no top-down directives to support this strategy.

4. Design Factors

Design factors refer to individual organizational components, i.e., tasks, technology, structure, people, and processes/subsystems. Congruence among these factors is often critical for organizational success.

- Tasks: The nature of work, the specification and differentiation required, are key factors when designing tasks. The assessment of the fit of other components depends to a large degree on an understanding of the nature of the tasks to be performed.
- Technology: Technology is the process by which an organization converts inputs into outputs. [Ref. 22 p. 98] It also includes the interdependencies among the activities and individuals involved in the workflow as well as the physical facilities and equipment. Information systems, while commonly assumed to be part of the technology, are not included in this component.
- Structure: Structure is the basic groupings of activities and people. This includes the basic shape and coordinating mechanisms and also refers to integrating devices (i.e. hierarchy, task force, integrating roles and departments, matrix, networks) that are used to coordinate between the various groupings.

- People: The knowledge, skills and abilities of the people are an important design factor. This also refers to the demographic background and experience of the workers.
- Resources: This design factor refers to human resource management, financial management, rewards system, measurement and controls, and planning, communication and information management.

The tasks vary from simple to complex, but almost all would involve extensive lateral communication and coordination inside and outside the RCO. The process of meeting customer requirements is the fairly straightforward task of determining the quantity and types of goods and services requested by each activity. The shaping of a regionalized office structure and meeting individual career needs would be more difficult and complex. This requires some variation in the programs and policies used to affect individual behavior.

Although there is a great deal of similar type work being done by all contracting activities, there is minimal standardization and no apparent process for capturing and communicating lessons learned or new ideas. Almost every activity felt that certain tasks could benefit from standardization of process.

RCO Southwest would be structured as a traditional military, top-down hierarchy. However, there are no plans for RCO Southwest to maintain operational or administrative control over any of the outlying activities. This gap in vertical control would create possible conflicts of interest and confusion as to the primary purpose of a regionalized office. The lack of command control over the activities would generate duplicative efforts and separate mission priorities within the region.

The individual contracting activities do not appear to have the right mix of personnel for the required work. Several personnel are performing work in which they

are overqualified and below their current rating or rank. Conversely, entry-level workers are positioned in jobs that are normally performed by seasoned and experienced contract specialists.

The traditional reward system in RCO Southwest would be intrinsic. Praise, recognition and prestige in job performance could be typical reward methods used in the organization. Extrinsic methods of rewarding such as immediate promotion or cash bonuses would be unlikely because of constrained budgets and restrictive promotion authority by the regional contracting officer.

Organizational performance could be measured through quality and efficiency measures toward mission accomplishment. Such factors as contract modifications caused by internal factors, Procurement Administration Lead Time (PALT), acquisition cycle time, budget execution, training and educational objectives and inspections would be measures used to evaluate RCO Southwest's performance. Personnel performance could be measured by Fitness Reports, proficiency/conduct marks and customer and vendor feedback.

The contracting personnel in the region currently have a dual set of structured controls imposed upon them. They must work within the existing guidelines, policies, rules and regulations of their local command, and also adhere to the provisions and responsibilities of the mutual agreement established in the MOA. For instance, activities work within their own command guidelines for hierarchy of reporting, training, and execution of duties while simultaneously performing requirements developed in the MOA. These controls often fragment the priority of work and make change difficult to accomplish.

5. Culture

The culture of an organization is an important factor to consider when analyzing an organization. Culture pertains to the prevalent norms and values found in a system.

One definition of culture is:

A pattern of basic assumptions, invented, discovered, or developed by a group as it learns to cope with its problems of external adaptation and integration-that has worked well enough to be considered valid, and therefore has to be taught to new members as the correct way to perceive, think, and feel in relation to their problems. [Ref. 23 p. 24]

Another more succinct definition is "the way we do things around here." [Ref. 24 p. 39] In a systems approach, culture must be analyzed in terms of whether it impedes or facilitates integration of effort within an organization.

Both Marine Corps and civilian cultures would have a tremendous affect on this organization. Marines have a strong loyalty to their Service and individual commands. This "culture" is one that prides a Marine on being able to overcome the most difficult of circumstances through sheer force and determination. This is a cadre of men and women accustomed to taking a new job every two or three years with typically little to no turnover. It is not seen as abnormal that the first six months to a year in the organization is spent trying to figure out how to do the job, because this is a trend these Marines have seen throughout their careers. Civilian personnel, who also possess the same type of loyalty, are not accustomed to the frequent turnover performed by their military counterparts and are often resistant to major changes in their organization. The "don't fix what's not broken" mentality has put a damper on the regionalization process. Feelings of trust, job security and unclear objectives are seen as obstacles to implementing a regionalized office.

6. Outcomes and Outputs

The organization's output refers to the things that the organization offers in terms of goods and services. The output is often based on the method of measurement and is typically the performance indicator for an organization. The proposed creation of RCO Southwest might use customer and vendor surveys as a type of measurement tool in identifying the quality of service it provides. Outcomes deal with the implications and consequences that outputs have on stakeholders and how the outputs are interpreted in view of the environment. It is a measure of how well an organization meets its objectives and utilizes its resources. In order to be an integrated system, the outcomes must feedback to the environment and design factors.

RCO Southwest would have three primary customer specific outputs. For HQMC, the output would be in building a strong and highly capable workforce capable of meeting mission requirements within the acquisition community. While meeting mission requirements is a concrete, measurable output, measuring the capability of that force includes subjectivity. The output to the region would be providing superior customer support to each of the commands. An erroneous assumption behind this indicator is that customer support is reflective of the size of the force required at each activity. From the individual activity perspective, the output would be in the plans and policies designed to promote fair and equitable treatment of their requirements.

Serving three customers results in a possible juggling act of trying to equally satisfy all stakeholders at one time. When attention is focused primarily on one priority, the others suffer due to lack of attention. Desired outcomes would include the following: HQMC would want the development of processes that are logical, efficient, and exploit

opportunities that technology brings to the entire acquisition process; Commanders would want qualified personnel and training to perform missions; and the personnel at the activities would want a standardization of processes and unity of effort.

F. THE PROPOSED MODEL

To enhance the efficiency and effectiveness of a regionalized contract office, promote continued development, training, and retention of contracting personnel, and provide flexibility in supporting customers, the researcher offers the model in Figure 4-3 as a design for a permanent regionalized contract office structure.

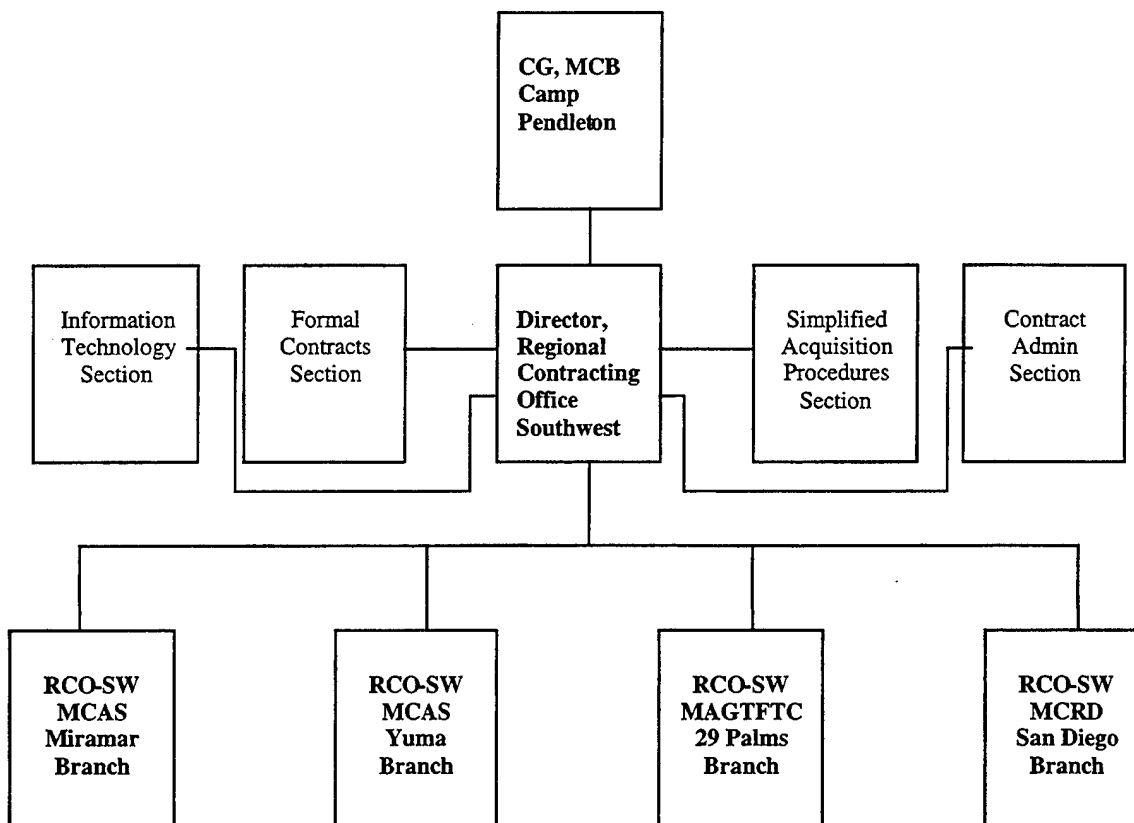


Figure 4-3 RCO Southwest Infrastructure Model [Source: Developed by Researcher]

This model indicates how a new regionalized contracting office structure could be constructed and integrated in the Marine Corps. It might appear that the model is simplistic in its nature, but implementing this would in effect be the type of change needed to the current organizational systems framework that would possibly positively impact the contracting activities in the region. It would eliminate the flaws and weaknesses the current system design produces. The Director of RCO Southwest would report directly to the Commanding General, MCB Camp Pendleton. This prevents any conflict of interest that could arise from the original command structure, where the RCO reports to the A/CS G-4 Logistics. Additionally, the RCO would maintain operational and administrative control over each of the branches while providing clear and definitive guidance to policies and procedures. This type of unilateral command and control would be an optimal solution to the current reporting chain that each activity presently endures.

This model would work by taking the inexperienced and entry-level contract specialists and employing them at the branch activities. Since the majority of complicated contracting functions would be performed at the RCO main office, this would allow them to learn the fundamentals of field contracting at a "grass-roots" level. After spending a tour performing the functions at the branch level, the contract specialists would be rotated to the main office. It creates a systematic approach for providing personnel to perform in billets proportionate to their ability. It would also promote job diversification and eliminate under-utilization of people that the current structure lacks. Lastly, it would maintain customer support resident to each command. Branch personnel would provide a standardized, single-face customer service capability to its entire customer base.

The restructuring of the RCO would also take into account the decrease in the acquisition workforce by consolidating duplicative job functions that prevent potential gaps and vacancies as they occur. From FY 1993 through FY 97, civilian personnel in DoD's acquisition workforce decreased by 24 percent, while the military personnel in the acquisition workforce decreased by 28 percent. [Ref. 25]

In order to optimize the use of this model, an official mandate from HQMC outlying the mission, policy and procedures of regionalization would be necessary. A formal directive from the senior leadership would ensure full cooperation and participation from the commands and provide a path to a clear and well-defined set of objectives. As mentioned earlier, the system direction greatly influences the design factors, outputs, and outcomes of any organization.

A unified and independent regionalized contracting office as depicted in this model would benefit the region as a whole and the contracting personnel individually. The region would receive a high quality of service and customer support while the contracting personnel would continue to grow and serve in an effective and efficient organization.

G. CHAPTER SUMMARY

The strengths, weaknesses and obstacles of the current organizational design for proposed creation of RCO Southwest are many. This chapter highlighted and analyzed some of the more important ones. It then went into more detail of how an organizational systems framework model is broken down into its individual elements. From there it applied the current RCO design structure to that model and identified the outputs and outcomes. Through addressing the desired outputs and implementing changes to the

current design factors, a new model was introduced. The new model designed a regionalized contracting office structure for RCO Southwest. Implementing this model would utilize the appropriate design factors, decrease or almost entirely eliminate the undesirable outcomes and provide the RCO with the optimal use of its people and resources.

V. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

This thesis has covered an overview of regionalization concepts, how these concepts might be deployed within the region, what the personnel in each activity feel are important issues, and proposed a model for a regionalized contracting structure at RCO Southwest. Application of a systems model shows areas for improvement in the individual components as well as the entire system. This is an important first step in the change process. Leaders seeking change must first have a clear picture of where their organization is today, in order to make plans for tomorrow. This chapter presents conclusions and recommendations for the study that was conducted. It also answers the research questions, recommends areas for future research, and summarizes the need for change.

B. CONCLUSIONS

The limitations of this study are discussed prior to drawing conclusions to put them in proper perspective. To thoroughly understand an organization requires in-depth knowledge at many levels. One week spent in Southern California learning about the RCO Southwest organization is not long enough to conduct a complete organizational assessment. This thesis is basically a preliminary analysis of the entire organization and its conclusions are based on a limited number of interviews, and limited archival information. Information obtained from twelve interviews provided only a rudimentary snapshot of the organization. Conclusions and recommendations may not represent diverse organizational perspectives due to the small sample size.

The data collected and material presented throughout this study have revealed the following conclusions:

1. There is uncertainty and ambiguity towards the purpose of a consolidated contracting office within the region. A pilot program was successfully conducted that evaluated some of the benefits gained under a regionalized office. However, this program did not include the flow of contract requirements under the SAP threshold. Since the majority of contract actions fall within this threshold, RCO Southwest was unable to realize the full potential of a regionalized office. Economies of scale, blank purchase agreements and contract bundling are just a few examples of cost savings opportunities that a fully regionalized contract office can offer. Today, there exists no official mandate in the Marine Corps that provides definitive and clear direction to the permanent implementation of a regionalized contract office. Having such a document would provide a sense of urgency within the region and ensure continued success and cost savings opportunities.
2. The current organizational design structure of RCO Southwest precludes operational and administrative control over the outlying activities. The lack of command control within the region severely undermines the ability of the RCO to establish strategies, enforce policies and standardize processes. Additionally, several personnel are performing job functions in which they are overqualified or below their current rating or rank. This leads to a lack of job diversity and limited growth potential. If this organization is to take full

advantage of the vast opportunities offered through a regionalized contracting office, then the gap in vertical control needs to be eliminated.

3. Customer service is a priority among all activities studied in the region. The consolidation of people, funding and resources at a centralized office creates a perception that the RCO will dictate the priorities and needs of their customer base. This bias should be disregarded since branch representatives will be located at each activity to interpret the priority of requirements and provide oversight ensuring the customer gets the attention they deserve.
4. The proposed model for a regionalized contracting infrastructure will greatly enhance the efficiency and effectiveness of RCO Southwest. It addresses the outputs in the current organizational design and makes appropriate changes to reduce those outcomes (unintended consequences). This model also shows that the region will benefit as well as the individual contract specialists. It presents a proactive approach to the restructuring of contract billets so that the right people work in the right jobs.

C. ANSWERS TO RESEARCH QUESTIONS

In order to accomplish the objectives of this thesis, fundamental research questions were developed. The responses to these questions will now be provided. The secondary questions are answered first, followed by the primary question.

Secondary Question 1: What regionalization concepts have been recommended in creating the Regional Contracting Office Southwest?

The Marine Corps Contracts Campaign Plan 2001 and the provisions outlined in the MOA provided the fundamental guiding principles and concepts in the development of RCO Southwest.

Secondary Question 2: What is the current mission of the Marine Corps Field Contracting Office Southwest?

The current mission, structure and function of each contracting activity including RCO Southwest were presented in Chapters II and III. The study evaluated the current status of each activity by discussing the details given by the personnel currently employed at each activity. It proved that the missions were nearly identical and the opportunity for a regionalized office was feasible.

Secondary Question 3: What are the significant lessons learned from regionalization efforts that will be applicable to Marine Corps Field Contracting Activities?

Several lessons learned surfaced during the two-year evaluation period at RCO. Effective, continuous and lateral communication and coordination between the RCO and outlying activities proved to be a key success factor during the period. Quarterly review meetings consisting of representatives from each activity were conducted to evaluate the efficiency and effectiveness of support provided to both the outlying offices and their customers. The contract personnel indicated that these meetings provided the necessary forum to effect issues and modifications of current procedures and impacts to their respective activities. Finally, continuous training and process improvement amongst the activities also produced dividends during this period as well. The RCO conducted weekly technical training to contract specialists in the outlying offices. For those

activities that could not attend in person, video teleconferencing was offered to include them in the training.

Secondary Question 4: What organizational design changes can be made in the Regional Contracting Office Southwest to possibly optimize the regionalization initiatives for Marine Corps Field Contracting Activities?

Chapter IV covers this in detail by introducing the basic organizational systems framework as it applies to RCO Southwest and prompting changes that would enable the organization to improve its inputs, throughputs, outputs and outcomes.

Primary Question: How can Marine Corps Field Contracting Activities Southwest be restructured through regionalization in order to reduce costs, improve efficiency, and optimize resources to best support its customers?

The background data, analysis of strengths, weaknesses, obstacles and modification to the current systems framework resulted in the creation of a regionalized infrastructure model that provides optimal use of RCO Southwest resources. If implemented, this model would increase effectiveness and efficiency, promote growth and diversity, and provide optimal use of resources.

D. IMPLEMENTATION RECOMMENDATIONS

From analyzing the data collected and material presented throughout this study, the following three recommendations are set forth:

1. Implement the proposed model and create a permanent regionalized infrastructure at RCO Southwest. Doing so will reduce the outcomes of the current organizational design. It will promote efficiency, effectiveness and optimize the use of resources. The design structure for the new organization provides command autonomy for the regional activities. This will enable the RCO to create strategies, develop policy and standardize procedures throughout the region. This model proves to be a benefit to the individual contracts specialists and the region as a whole. It removes redundancy of efforts by consolidating similar functions and creates job billets appropriate to the person's ability.
2. Create a mandate that provides definitive guidance to the implementation of a fully regionalized contracting office. This will set a clear direction throughout the Marine Corps and establish a sense of urgency to comply with the policy. To accomplish this, top-down support will be required. The Contracts Division at HQMC possesses the requisite knowledge and expertise in the policy-making department to draft a set of goals and objectives. Input from the entire contracting community could provide insight from lessons learned, best business practices and personnel experience to formulate a policy that promotes a highly effective and efficient regionalized organization.
3. Modify the current Memorandum of Agreement to include the acquisition of open market procurements within the SAP threshold. If RCO Southwest accepts the previous recommendations they will possess the manpower,

expertise and autonomy to effectively conduct these functions and achieve additional savings.

E. RECOMMENDED AREAS FOR FUTURE RESEARCH

Four areas for future research are recommended after concluding this study. They are as follows:

1. Perform a cost/benefit analysis to quantify the implementation of RCO Southwest. This would provide actual data showing costs incurred and benefits received through regionalization.
2. Conduct a similar study in other geographical areas. Compare and contrast RCO Southwest with other contracting activities in an effort to standardize policy, procedures and capabilities across the Marine Corps contracting community.
3. Perform a study on the quality of customer service after the implementation of the infrastructure model proposed in this thesis. By performing this analysis, RCO Southwest could determine any potential modification to its current system and identify additional benefits not addressed in this study.
4. Conduct an analysis in the private business sector, identify and implement the lessons learned, best practices, benchmarking techniques and business models as it relates to the Marine Corps contracting community.

F. SUMMARY

This thesis is intended to start a dialogue for change primarily within RCO Southwest, but also within the Marine Corps contracting community. The conclusions and recommendations are a starting point for introducing needed change based on a

realistic organizational assessment. This thesis has described the “current reality” of the RCO Southwest organization, and its relationship, although briefly, to the overall Marine Corps contracting community. It is incumbent upon leadership to provide strategy, direction, communication, and means to implement change. Systemic change implies an understanding of direction, design, and outcomes, all within the complexity of its current environment. New and innovative solutions to emerging issues have been the hallmark of Marine Corps success since its inception 226 years ago. This innovation must continue throughout the 21st century.

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